

Item
6

Property of
House Committee on
Ways and Means

front office

H. Brand

PART 15

INDIVIDUAL INCOME TAX

PREPARED BY THE
STAFF OF THE
JOINT COMMITTEE ON INTERNAL
REVENUE TAXATION

APRIL 1951



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1951

81736

INDIVIDUAL INCOME TAX

PLAN 1

Flat percentage increase in the present law tax:

	Millions	Percentage distribution of increase
A 5-percent increase will increase the tax liability of taxpayers with adjusted gross incomes of—		
Under \$5,000 by-----	\$435	37.0
Over \$5,000 by-----	740	63.0
Total-----	1, 175	100.0

INDIVIDUAL INCOME TAX

3

Comparison of the individual income tax liabilities under present law with that under plan 1

SINGLE PERSON—NO DEPENDENTS

Net income (after deductions but before exemptions)	Amounts of tax		Effective rates of tax		Increase over present law		Tax increase as percent of—	
	Present law	Plan 1	Present law	Plan 1	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			<i>Percent</i>	<i>Percent</i>		<i>Percent</i>		
\$800-----	\$40	\$42	5.0	5.3	\$2	0.3	5.0	0.3
\$1,000-----	80	84	8.0	8.4	4	.4	5.0	.4
\$1,500-----	180	189	12.0	12.6	9	.6	5.0	.7
\$2,000-----	280	294	14.0	14.7	14	.7	5.0	.8
\$3,000-----	488	512	16.3	17.1	24	.8	5.0	1.0
\$5,000-----	944	991	18.9	19.8	47	.9	5.0	1.2
\$8,000-----	1,780	1,869	22.3	23.4	89	1.1	5.0	1.4
\$10,000-----	2,436	2,558	24.4	25.6	122	1.2	5.0	1.6
\$15,000-----	4,448	4,670	29.7	31.1	222	1.4	5.0	2.1
\$20,000-----	6,942	7,289	34.7	36.4	347	1.7	5.0	2.7
\$25,000-----	9,796	10,286	39.2	41.1	490	1.9	5.0	3.2
\$50,000-----	26,388	27,707	52.8	55.4	1,319	2.6	5.0	5.6
\$100,000-----	66,798	70,138	66.8	70.1	3,340	3.3	5.0	10.1
\$500,000-----	429,274	² 450,000	85.9	90.0	20,726	4.1	² 4.8	29.3
\$1,000,000-----	¹ 870,000	² 900,000	87.0	90.0	30,000	3.0	² 3.4	23.1

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$63	4.0	4.2	\$3	0.2	5.0	0.2
\$2,000-----	160	168	8.0	8.4	8	.4	5.0	.4
\$3,000-----	360	378	12.0	12.6	18	.6	5.0	.7
\$5,000-----	760	798	15.2	16.0	38	.8	5.0	.9
\$8,000-----	1,416	1,487	17.7	18.6	71	.9	5.0	1.1
\$10,000-----	1,888	1,982	18.9	19.8	94	.9	5.0	1.2
\$15,000-----	3,260	3,423	21.7	22.8	163	1.1	5.0	1.4
\$20,000-----	4,872	5,116	24.4	25.6	244	1.2	5.0	1.6
\$25,000-----	6,724	7,060	26.9	28.2	336	1.3	5.0	1.8
\$50,000-----	19,592	20,572	39.2	41.1	980	1.9	5.0	3.2
\$100,000-----	52,776	55,415	52.8	55.4	2,639	2.6	5.0	5.6
\$500,000-----	403,548	423,725	80.7	84.7	20,177	4.0	5.0	20.9
\$1,000,000-----	858,548	² 900,000	85.9	90.0	41,452	4.1	² 4.8	29.3

MARRIED PERSON—2 DEPENDENTS

\$3,000-----	\$120	\$126	4.0	4.2	\$6	0.2	5.0	0.2
\$5,000-----	520	546	10.4	10.9	26	.5	5.0	.6
\$8,000-----	1,152	1,210	14.4	15.1	58	.7	5.0	.8
\$10,000-----	1,592	1,672	15.9	16.7	80	.8	5.0	.9
\$15,000-----	2,900	3,045	19.3	20.3	145	1.0	5.0	1.2
\$20,000-----	4,464	4,687	22.3	23.4	223	1.1	5.0	1.4
\$25,000-----	6,268	6,581	25.1	26.3	313	1.2	5.0	1.7
\$50,000-----	18,884	19,828	37.8	39.7	944	1.9	5.0	3.0
\$100,000-----	51,912	54,508	51.9	54.5	2,596	2.6	5.0	5.4
\$500,000-----	402,456	422,579	80.5	84.5	20,123	4.0	5.0	20.6
\$1,000,000-----	857,456	² 900,000	85.7	90.0	42,544	4.3	5.0	29.8

¹ Taking into account maximum effective rate limitation of 87 percent.

² Taking into account maximum effective rate limitation of 90 percent.

INDIVIDUAL INCOME TAX

✓ PLAN 2

Flat percentage increase in the present law tax:

	Millions	Percentage distribution of increase
A 10-percent increase will increase the tax liability of taxpayers with adjusted gross incomes of—		
Under \$5,000 by-----	\$870	37.0
Over \$5,000 by-----	1, 480	63.0
Total-----	2, 350	100.0

With PROVISION similar to defense tax in
First Revenue Act of 1946. (Increase in
tax liability cannot be more than 10%
of NET after tax)

INDIVIDUAL INCOME TAX

5

Comparison of the individual income tax liabilities under present law with that under plan 2

SINGLE PERSON—NO DEPENDENTS

Net income before exemption	Amounts of tax		Effective rates of tax		Increase over present law		Tax increase as percent of—	
	Present law	Plan 2	Present law	Plan 2	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			<i>Percent</i>	<i>Percent</i>		<i>Percent</i>		
\$800-----	\$40	\$44	5. 0	5. 5	\$4	0. 5	10. 0	0. 5
\$1,000-----	80	88	8. 0	8. 8	8	. 8	10. 0	. 9
\$1,500-----	180	198	12. 0	13. 2	18	1. 2	10. 0	1. 4
\$2,000-----	280	308	14. 0	15. 4	28	1. 4	10. 0	1. 6
\$3,000-----	488	537	16. 3	17. 9	49	1. 6	10. 0	1. 9
\$5,000-----	944	1, 038	18. 9	20. 8	94	1. 9	10. 0	2. 3
\$8,000-----	1, 780	1, 958	22. 3	24. 5	178	2. 2	10. 0	2. 9
\$10,000-----	2, 436	2, 680	24. 4	26. 8	244	2. 4	10. 0	3. 2
\$15,000-----	4, 448	4, 893	29. 7	32. 6	445	2. 9	10. 0	4. 2
\$20,000-----	6, 942	7, 636	34. 7	38. 2	694	3. 5	10. 0	5. 3
\$25,000-----	9, 796	10, 776	39. 2	43. 1	980	3. 9	10. 0	6. 4
\$50,000-----	26, 388	29, 027	52. 8	58. 1	2, 639	5. 3	10. 0	11. 2
\$100,000-----	66, 798	73, 478	66. 8	73. 5	6, 680	6. 7	10. 0	20. 1
\$500,000-----	429, 274	² 450, 000	85. 9	90. 0	20, 726	4. 1	² 4. 8	29. 3
\$1,000,000-----	¹ 870, 000	² 900, 000	87. 0	90. 0	30, 000	3. 0	² 3. 4	23. 1

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$66	4. 0	4. 4	\$6	0. 4	10. 0	0. 4
\$2,000-----	160	176	8. 0	8. 8	16	. 8	10. 0	. 9
\$3,000-----	360	396	12. 0	13. 2	36	1. 2	10. 0	1. 4
\$5,000-----	760	836	15. 2	16. 7	76	1. 5	10. 0	1. 8
\$8,000-----	1, 416	1, 558	17. 7	19. 5	142	1. 8	10. 0	2. 2
\$10,000-----	1, 888	2, 077	18. 9	20. 8	189	1. 9	10. 0	2. 3
\$15,000-----	3, 260	3, 586	21. 7	23. 9	326	2. 2	10. 0	2. 8
\$20,000-----	4, 872	5, 359	24. 4	26. 8	487	2. 4	10. 0	3. 2
\$25,000-----	6, 724	7, 396	26. 9	29. 6	672	2. 7	10. 0	3. 7
\$50,000-----	19, 592	21, 551	39. 2	43. 1	1, 959	3. 9	10. 0	6. 4
\$100,000-----	52, 776	58, 054	52. 8	58. 1	5, 278	5. 3	10. 0	11. 2
\$500,000-----	403, 548	443, 903	80. 7	88. 8	40, 355	8. 1	10. 0	41. 8
\$1,000,000-----	858, 548	² 900, 000	85. 9	90. 0	41, 452	4. 1	² 4. 8	29. 3

MARRIED PERSONS—2 DEPENDENTS

\$3,000-----	\$120	\$132	4. 0	4. 4	\$12	0. 4	10. 0	0. 4
\$5,000-----	520	572	10. 4	11. 4	52	1. 0	10. 0	1. 2
\$8,000-----	1, 152	1, 267	14. 4	15. 8	115	1. 4	10. 0	1. 7
\$10,000-----	1, 592	1, 751	15. 9	17. 5	159	1. 6	10. 0	1. 9
\$15,000-----	2, 900	3, 190	19. 3	21. 3	290	2. 0	10. 0	2. 4
\$20,000-----	4, 464	4, 910	22. 3	24. 6	446	2. 3	10. 0	2. 9
\$25,000-----	6, 268	6, 895	25. 1	27. 6	627	2. 5	10. 0	3. 3
\$50,000-----	18, 884	20, 772	37. 8	41. 5	1, 888	3. 7	10. 0	6. 1
\$100,000-----	51, 912	57, 103	51. 9	57. 1	5, 191	5. 2	10. 0	10. 8
\$500,000-----	402, 456	442, 702	80. 5	88. 5	40, 246	8. 0	10. 0	41. 3
\$1,000,000-----	857, 456	² 900, 000	85. 7	90. 0	42, 544	4. 3	² 5. 0	29. 8

¹ Taking into account maximum effective rate limitation of 87 percent.

² Taking into account maximum effective rate limitation of 90 percent.

INDIVIDUAL INCOME TAX

PLAN 3

Reduce present law per capita exemptions:

	Millions	Percentage distribution of increase
A reduction in the present \$600 per capita exemptions to \$500 will increase the tax liabilities of taxpayers with adjusted gross incomes of—		
Under \$5,000 by-----	\$2, 055	77. 0
Over \$5,000 by-----	615	23. 0
Total-----	2, 670	100. 0

per capita income a factor in the 1954-55 year

INDIVIDUAL INCOME TAX

7

Comparison of the individual income tax liabilities under present law with that under plan 3

SINGLE PERSON—NO DEPENDENTS

Net income (after deductions but before exemptions)	Amounts of tax		Effective rates		Increase over present law		Tax increase as percent of—	
	Present law	Plan 3	Present law	Plan 3	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			Percent	Percent		Percent		
\$800-----	\$40	\$60	5.0	7.5	\$20	2.5	50.0	2.6
\$1,000-----	80	100	8.0	10.0	20	2.0	25.0	2.2
\$1,500-----	180	200	12.0	13.3	20	1.3	11.1	1.5
\$2,000-----	280	300	14.0	15.0	20	1.0	7.1	1.2
\$3,000-----	488	510	16.3	17.0	22	.7	4.5	.9
\$5,000-----	944	970	18.9	19.4	26	.5	2.8	.6
\$8,000-----	1,780	1,810	22.3	22.6	30	.3	1.7	.5
\$10,000-----	2,436	2,470	24.4	24.7	34	.3	1.4	.4
\$15,000-----	4,448	4,495	29.7	30.0	47	.3	1.1	.4
\$20,000-----	6,942	6,995	34.7	35.0	53	.3	.8	.4
\$25,000-----	9,796	9,855	39.2	39.4	59	.2	.6	.4
\$50,000-----	26,388	26,460	52.8	52.9	72	.1	.3	.3
\$100,000-----	66,798	66,885	66.9	66.8	87	-----	.1	.3
\$500,000-----	429,274	429,365	85.9	85.9	91	-----	(2)	.1
\$1,000,000-----	¹ 870,000	¹ 870,000	87.0	87.0	-----	-----	-----	-----

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$100	4.0	6.7	\$40	2.7	66.7	2.8
\$2,000-----	160	200	8.0	10.0	40	2.0	25.0	2.2
\$3,000-----	360	400	12.0	13.3	40	1.3	11.1	1.5
\$5,000-----	760	800	15.2	16.0	40	.8	5.3	.9
\$8,000-----	1,416	1,460	17.7	18.3	44	.6	3.1	.7
\$10,000-----	1,888	1,940	18.9	19.4	52	.5	2.8	.6
\$15,000-----	3,260	3,320	21.7	22.1	60	.4	1.8	.5
\$20,000-----	4,872	4,940	24.4	24.7	68	.3	1.4	.4
\$25,000-----	6,724	6,800	26.9	27.2	76	.3	1.1	.4
\$50,000-----	19,592	19,710	39.2	39.4	118	.2	.6	.4
\$100,000-----	52,776	52,920	52.8	52.9	144	.1	.3	.3
\$500,000-----	403,548	403,730	80.7	80.7	182	-----	(2)	.2
\$1,000,000-----	858,548	858,730	85.9	85.9	182	-----	(2)	.1

MARRIED PERSON—2 DEPENDENTS

\$3,000-----	\$120	\$200	4.0	6.7	\$80	2.7	66.7	2.8
\$5,000-----	520	600	10.4	12.0	80	1.6	15.4	1.8
\$8,000-----	1,152	1,240	14.4	15.5	88	1.1	7.6	1.3
\$10,000-----	1,592	1,680	15.9	16.8	88	.9	5.5	1.0
\$15,000-----	2,900	3,020	19.3	20.1	120	.8	4.1	1.0
\$20,000-----	4,464	4,600	22.3	23.0	136	.7	3.0	.9
\$25,000-----	6,268	6,420	25.1	25.7	152	.6	2.4	.8
\$50,000-----	18,884	19,120	37.8	38.2	236	.4	1.2	.8
\$100,000-----	51,912	52,200	51.9	52.2	288	.3	.6	.6
\$500,000-----	402,456	402,820	80.5	80.6	364	.1	.1	.4
\$1,000,000-----	857,456	857,820	85.7	85.8	364	.1	(2)	.3

¹ Taking into account maximum effective rate limitation of 87 percent.

² Less than .05 percent.

PLAN 4

Per capita tax credit in lieu of the present per capita exemptions:

	Millions	Percentage distribution of increase
A per capita tax credit of \$120 in lieu of the present \$600 per capita exemptions will increase the tax liabilities of taxpayers with adjusted gross incomes of—		
Under \$5,000 by -----	\$145	17. 9
Over \$5,000 by -----	665	82. 1
Total -----	810	100. 0

INDIVIDUAL INCOME TAX

9

Comparison of the individual income tax liability under present law with that under plan 4

SINGLE PERSON—NO DEPENDENTS

Net income (after deductions but before exemptions)	Amount of tax		Effective rates of tax		Increase over present law		Tax increase as a percent of—	
	Present law	Plan 4	Present law	Plan 4	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			<i>Percent</i>	<i>Percent</i>		<i>Percent</i>		
\$800-----	\$40	\$40	5.0	5.0				
\$1,000-----	80	80	8.0	8.0				
\$1,500-----	180	180	12.0	12.0				
\$2,000-----	280	280	14.0	14.0				
\$3,000-----	488	500	16.3	16.7	\$12	0.4	2.5	0.5
\$5,000-----	944	980	18.9	19.6	36	.7	3.8	.9
\$8,000-----	1,780	1,840	22.3	23.0	60	.7	3.4	1.0
\$10,000-----	2,436	2,520	24.4	25.2	84	.8	3.4	1.1
\$15,000-----	4,448	4,610	29.7	30.7	162	1.0	3.6	1.5
\$20,000-----	6,942	7,140	34.7	35.7	198	1.0	2.9	1.5
\$25,000-----	9,796	10,030	39.2	40.1	234	.9	2.4	1.5
\$50,000-----	26,388	26,700	52.8	53.4	312	.6	1.2	1.3
\$100,000-----	66,798	67,200	66.8	67.2	402	.4	.6	1.2
\$500,000-----	429,274	429,700	85.9	85.9	426		.1	.6
\$1,000,000-----	¹ 870,000	¹ 870,000	87.0	87.0				

MARRIED PERSONS—NO DEPENDENTS

\$1,500-----	\$60	\$60	4.0	4.0				
\$2,000-----	160	160	8.0	8.0				
\$3,000-----	360	360	12.0	12.0				
\$5,000-----	760	780	15.2	15.6	\$20	0.4	2.6	0.5
\$8,000-----	1,416	1,440	17.7	18.0	24	.3	1.7	.4
\$10,000-----	1,888	1,960	18.9	19.6	72	.7	3.8	.9
\$15,000-----	3,260	3,380	21.7	22.5	120	.8	3.7	1.0
\$20,000-----	4,872	5,040	24.4	25.2	168	.8	3.4	1.1
\$25,000-----	6,724	6,990	26.9	28.0	266	1.1	4.0	1.5
\$50,000-----	19,592	20,060	39.2	40.1	468	.9	2.4	1.5
\$100,000-----	52,776	53,400	52.8	53.4	624	.6	1.2	1.3
\$500,000-----	403,548	404,400	80.7	80.9	852	.2	.2	.9
\$1,000,000-----	858,548	859,400	85.9	85.9	852		.1	.6

MARRIED PERSONS—2 DEPENDENTS

\$3,000-----	\$120	\$120	4.0	4.0				
\$5,000-----	520	540	10.4	10.8	\$20	0.4	3.8	0.4
\$8,000-----	1,152	1,200	14.4	15.0	48	.6	4.2	.7
\$10,000-----	1,592	1,720	15.9	17.2	128	1.3	8.0	1.5
\$15,000-----	2,900	3,140	19.3	20.9	240	1.6	8.3	2.0
\$20,000-----	4,464	4,800	22.3	24.0	336	1.7	7.5	2.2
\$25,000-----	6,268	6,750	25.1	27.0	482	1.9	7.7	2.6
\$50,000-----	18,884	19,820	37.8	39.6	936	1.8	5.0	3.0
\$100,000-----	51,912	53,160	51.9	53.2	1,248	1.3	2.4	2.6
\$500,000-----	402,456	404,160	80.5	80.8	1,704	.3	.4	1.7
\$1,000,000-----	857,456	859,160	85.7	85.9	1,704	.2	.2	1.2

¹ Taking into account maximum effective rate limitation of 87 percent.

PLAN 5

Percentage point increase in all surtax rates:

A 1 percentage point increase will increase tax liabilities by \$970 million, 2 points will increase liabilities \$1,930 million, and 3 points will increase liabilities \$2,895 million distributed in adjusted gross income classes as follows:

	1 point		2 points		3 points	
	Amount	Percent	Amount	Percent	Amount	Percent
	<i>Millions</i>		<i>Millions</i>		<i>Millions</i>	
Under \$5,000-----	\$435	45. 1	\$870	45. 1	\$1, 305	45. 1
Over \$5,000-----	530	54. 9	1, 060	54. 9	1, 590	54. 9
Total-----	965	100. 0	1, 930	100. 0	2, 895	100. 0

Comparison of the individual income-tax liabilities under present law and plan 5 (1 percentage point increase in all surtax brackets)

SINGLE PERSON—NO DEPENDENTS

Net income (after deductions but before exemptions)	Amounts of tax		Effective rates of tax		Increase over present law		Tax increase as a percent of—	
	Present law	Plan 5	Present law	Plan 5	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			<i>Percent</i>	<i>Percent</i>		<i>Percent</i>		
\$800-----	\$40	\$42	5.0	5.3	\$2	0.3	5.0	0.3
\$1,000-----	80	84	8.0	8.4	4	.4	5.0	.4
\$1,500-----	180	189	12.0	12.6	9	.6	5.0	.7
\$2,000-----	280	294	14.0	14.7	14	.7	5.0	.8
\$3,000-----	488	512	16.3	17.1	24	.8	4.9	1.0
\$5,000-----	944	988	18.9	19.8	44	.9	4.7	1.1
\$8,000-----	1,780	1,854	22.3	23.2	74	.9	4.2	1.2
\$10,000-----	2,436	2,530	24.4	25.3	94	.9	3.9	1.2
\$15,000-----	4,448	4,592	29.7	30.6	144	1.0	3.2	1.4
\$20,000-----	6,942	7,136	34.7	35.7	194	1.0	2.8	1.5
\$25,000-----	9,796	10,040	39.2	40.2	244	1.0	2.5	1.6
\$50,000-----	26,388	26,882	52.8	53.8	494	1.0	1.9	2.1
\$100,000-----	66,798	67,792	66.8	67.8	994	1.0	1.5	3.0
\$500,000-----	429,274	434,268	85.9	86.9	4,994	1.0	1.2	7.1
\$1,000,000-----	¹ 870,000	894,268	87.0	89.4	24,268	2.4	2.8	18.7

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$63	4.0	4.2	\$3	0.2	5.0	0.2
\$2,000-----	160	168	8.0	8.4	8	.4	5.0	.4
\$3,000-----	360	378	12.0	12.6	18	.6	5.0	.7
\$5,000-----	760	798	15.2	16.0	38	.8	5.0	.9
\$8,000-----	1,416	1,484	17.7	18.6	68	.9	4.8	1.0
\$10,000-----	1,888	1,976	18.9	19.8	88	.9	4.7	1.1
\$15,000-----	3,260	3,398	21.7	22.7	138	.9	4.2	1.2
\$20,000-----	4,872	5,060	24.4	25.3	188	.9	3.9	1.2
\$25,000-----	6,724	6,962	26.9	27.8	238	1.0	3.5	1.3
\$50,000-----	19,592	20,080	39.2	40.2	488	1.0	2.5	1.6
\$100,000-----	52,776	53,764	52.8	53.8	988	1.0	1.9	2.1
\$500,000-----	403,548	408,536	80.7	81.7	4,988	1.0	1.2	5.2
\$1,000,000-----	858,548	868,536	85.9	86.9	9,988	1.0	1.2	7.1

MARRIED PERSON—2 DEPENDENTS

\$3,000-----	\$120	\$126	4.0	4.2	\$6	0.2	5.0	0.2
\$5,000-----	520	546	10.4	10.9	26	.5	5.0	.6
\$8,000-----	1,152	1,208	14.4	15.1	56	.7	4.9	.8
\$10,000-----	1,592	1,668	15.9	16.7	76	.8	4.8	.9
\$15,000-----	2,900	3,026	19.3	20.2	126	.8	4.3	1.0
\$20,000-----	4,464	4,640	22.3	23.2	176	.9	3.9	1.1
\$25,000-----	6,268	6,494	25.1	26.0	226	.9	3.6	1.2
\$50,000-----	18,884	19,360	37.8	38.7	476	1.0	2.5	1.5
\$100,000-----	51,912	52,888	51.9	52.9	976	1.0	1.9	2.0
\$500,000-----	402,456	407,432	80.5	81.5	4,976	1.0	1.2	5.1
\$1,000,000-----	857,456	867,432	85.7	86.7	9,976	1.0	1.2	7.0

¹ Taking into account maximum effective rate limitation of 87 percent.

INDIVIDUAL INCOME TAX

Comparison of the individual income tax liabilities under present law and plan 5 (2-percentage-point increase in all surtax brackets)

SINGLE PERSON—NO DEPENDENTS

Net income (after deductions but before exemptions)	Amount of tax		Effective rate of tax		Increase over present law		Tax increase as a percent of—	
	Present law	Plan 5	Present law	Plan 5	Amount of tax	Effective rate	Present law tax	Net income after present law tax
			Percent	Percent		Percent		
\$800-----	\$40	\$44	5.0	5.5	\$4	0.5	10.0	0.5
\$1,000-----	80	88	8.0	8.8	8	.8	10.0	.9
\$1,500-----	180	198	12.0	13.2	18	1.2	10.0	1.4
\$2,000-----	280	308	14.0	15.4	28	1.4	10.0	1.6
\$3,000-----	488	536	16.3	17.9	48	1.6	9.8	1.9
\$5,000-----	944	1,032	18.9	20.6	88	1.8	9.3	2.2
\$8,000-----	1,780	1,928	22.3	24.1	148	1.9	8.3	2.4
\$10,000-----	2,436	2,624	24.4	26.2	188	1.9	7.7	2.5
\$15,000-----	4,448	4,736	29.7	31.6	288	1.9	6.5	2.7
\$20,000-----	6,942	7,330	34.7	36.7	388	1.9	5.6	3.0
\$25,000-----	9,796	10,284	39.2	41.1	488	2.0	5.0	3.2
\$50,000-----	26,388	27,376	52.8	54.8	988	2.0	3.7	4.2
\$100,000-----	66,798	68,786	66.8	68.8	1,988	2.0	3.0	6.0
\$500,000-----	429,274	439,262	85.9	87.9	9,988	2.0	2.3	14.1
\$1,000,000-----	¹ 870,000	² 900,000	87.0	90.0	30,000	3.0	3.4	23.1

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$66	4.0	4.4	\$6	0.4	10.0	0.4
\$2,000-----	160	176	8.0	8.8	16	.8	10.0	.9
\$3,000-----	360	396	12.0	13.2	36	1.2	10.0	1.4
\$5,000-----	760	836	15.2	16.7	76	1.5	10.0	1.8
\$8,000-----	1,416	1,552	17.7	19.4	136	1.7	9.6	2.1
\$10,000-----	1,888	2,064	18.9	20.6	176	1.8	9.3	2.2
\$15,000-----	3,260	3,536	21.7	23.6	276	1.8	8.5	2.4
\$20,000-----	4,872	5,248	24.4	26.2	376	1.9	7.7	2.5
\$25,000-----	6,724	7,200	26.9	28.8	476	1.9	7.1	2.6
\$50,000-----	19,592	20,568	39.2	41.1	976	2.0	5.0	3.2
\$100,000-----	52,776	54,752	52.8	54.8	1,976	2.0	3.7	4.2
\$500,000-----	403,548	413,524	80.7	82.7	9,976	2.0	2.5	10.3
\$1,000,000-----	858,548	878,524	85.9	87.9	19,976	2.0	2.3	14.1

MARRIED PERSON—2 DEPENDENTS

\$3,000-----	\$120	\$132	4.0	4.4	\$12	0.4	10.0	0.4
\$5,000-----	520	572	10.4	11.4	52	1.0	10.0	1.2
\$8,000-----	1,152	1,264	14.4	15.8	112	1.4	9.7	1.6
\$10,000-----	1,592	1,744	15.9	17.4	152	1.5	9.5	1.8
\$15,000-----	2,900	3,152	19.3	21.0	252	1.7	8.7	2.1
\$20,000-----	4,464	4,816	22.3	24.1	352	1.8	7.9	2.3
\$25,000-----	6,268	6,720	25.1	26.9	452	1.8	7.2	2.4
\$50,000-----	18,884	19,836	37.8	39.7	952	1.9	5.0	3.1
\$100,000-----	51,912	53,864	51.9	53.9	1,952	2.0	3.8	4.1
\$500,000-----	402,456	412,408	80.5	82.5	9,952	2.0	2.5	10.2
\$1,000,000-----	857,456	877,408	85.7	87.7	19,952	2.0	2.3	14.0

¹ Taking into account maximum effective rate limitation of 87 percent.

² Taking into account maximum effective rate limitation of 90 percent.

PLAN 6

There are two steps to this plan:

First, single persons qualifying as heads of families ¹ would compute their income tax by the same formula used by married couples filing joint returns except that the single person who is head of a family would not be required to include in his return the income received by other members of his household. Alternatively, the same results could be accomplished by setting up a special rate schedule for single persons qualifying as heads of families. Married couples and single persons (not head of a family) would continue to file as they do under present law. Married couples in community property States will not be affected in any way by the adoption of this separate schedule. About 800,000 single persons in both community property and common law States will benefit and if this were done alone their taxes would be reduced by approximately \$97 million. It is contemplated under this plan that this revenue would be more than offset by any general increase in the individual income tax.

For purposes of illustration the adjustment for single persons who are heads of families has been combined with (1) a flat 5 percent increase in the tax payable by all taxpayers, and (2) a flat 10 percent increase in the tax payable by all taxpayers:

(1) The adoption of the separate rate schedule and a 5 percent increase in the tax of all taxpayers after giving effect to such rate schedule will result in the following revenue gain:

	Millions	Percentage distribution of increase
From those with adjusted gross income under \$5,000.....	\$430	40. 2
From those with adjusted gross income over \$5,000.....	640	59. 8
Total.....	1, 070	100. 0

(2) The adoption of the separate rate schedule and a 10 percent increase in the tax of all taxpayers after giving effect to such rate schedule will result in the following revenue gain:

	Millions	Percentage distribution of increase
From those with adjusted gross income under \$5,000.....	\$865	38. 6
From those with adjusted gross incomes over \$5,000.....	1, 375	61. 4
Total.....	2, 240	100. 0

¹ Head of a family: A head of a family was not defined in the law prior to 1944, but under the regulations applicable to taxable years beginning before January 1, 1944, the term was defined as an individual who actually supported and maintained in one household one or more individuals closely connected with him by blood relationship, relationship by marriage, or by adoption, and whose right to exercise family control and provide for dependent individuals was based upon some moral or legal obligation. In the absence of continuous actual residence together, whether or not a person with dependent relatives was head of a family within the meaning of the Internal Revenue Code, depended on the character of the separation. If a father was absent on business, or a child or other dependent was away at school or on a visit, the common home being still maintained, the father was considered as head of a family. If, moreover, through force of circumstances a parent was obliged to maintain his dependent children with relatives or in a boarding house while he lived elsewhere, the additional exemption would still apply. If, however, without necessity the dependent continuously made his home elsewhere, his benefactor was not considered to be the head of a family, irrespective of the question of support.

Under existing law, a head of family is defined as an individual who actually supported and maintained in one household one or more individuals closely connected with him by blood relationship, relationship by marriage, or by adoption, and whose right to exercise family control and provide for dependent individuals was based upon some moral or legal obligation. In the absence of continuous actual residence together, whether or not a person with dependent relatives was head of a family within the meaning of the Internal Revenue Code, depended on the character of the separation. If a father was absent on business, or a child or other dependent was away at school or on a visit, the common home being still maintained, the father was considered as head of a family. If, moreover, through force of circumstances a parent was obliged to maintain his dependent children with relatives or in a boarding house while he lived elsewhere, the additional exemption would still apply. If, however, without necessity the dependent continuously made his home elsewhere, his benefactor was not considered to be the head of a family, irrespective of the question of support.

Head of family - 97 million -

500,000 in head of family

INDIVIDUAL INCOME TAX

Comparison of the individual income tax liabilities under present law with that under plan 6 (5 percent increase in the tax payable)

HEAD OF FAMILY—1 DEPENDENT

Net income (after deductions but before exemptions)	Amount of tax		Effective rates of tax		Increase or decrease (—) over present law		Tax increase or decrease (—) as a percent of—	
	Present law	Plan 6	Present law	Plan 6	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			Percent	Percent		Percent		
\$800.....								
\$1,000.....								
\$1,500.....	\$60	\$63	4.0	4.2	\$3	0.2	5.0	0.2
\$2,000.....	160	168	8.0	8.4	8	.4	5.0	.4
\$3,000.....	360	378	12.0	12.6	18	.6	5.0	.7
\$5,000.....	796	798	15.9	16.0	2	.1	.3	.1
\$8,000.....	1,600	1,487	20.0	18.6	—113	—1.4	—7.1	—1.8
\$10,000.....	2,232	1,982	22.3	19.8	—250	—2.5	—11.2	—3.2
\$15,000.....	4,174	3,423	27.8	22.8	—751	—5.0	—18.0	—6.9
\$20,000.....	6,624	5,116	33.1	25.6	—1,508	—7.5	—22.8	—11.3
\$25,000.....	9,442	7,060	37.8	28.2	—2,382	—9.6	—25.2	—15.3
\$50,000.....	25,956	20,572	51.9	41.1	—5,384	—10.8	—20.7	—22.4
\$100,000.....	66,276	55,415	66.3	55.4	—10,861	—10.9	—16.4	—32.2
\$500,000.....	428,728	423,725	85.8	84.8	—5,003	—1.0	—1.2	—7.0
\$1,000,000.....	¹ 870,000	² 900,000	87.0	90.0	30,000	3.0	3.5	23.1

MARRIED PERSON—NO DEPENDENTS

\$1,500.....	\$60	\$63	4.0	4.2	3	0.2	5.0	0.2
\$2,000.....	160	168	8.0	8.4	8	.4	5.0	.4
\$3,000.....	360	378	12.0	12.6	18	.6	5.0	.7
\$5,000.....	760	798	15.2	16.0	38	.8	5.0	.9
\$8,000.....	1,416	1,487	17.7	18.6	71	.9	5.0	1.1
\$10,000.....	1,888	1,982	18.9	19.8	94	.9	5.0	1.2
\$15,000.....	3,260	3,423	21.7	22.8	163	1.1	5.0	1.4
\$20,000.....	4,872	5,116	24.4	25.6	244	1.2	5.0	1.6
\$25,000.....	6,724	7,060	26.9	28.2	336	1.3	5.0	1.8
\$50,000.....	19,592	20,572	39.2	41.1	980	1.9	5.0	3.2
\$100,000.....	52,776	55,415	52.8	55.4	2,639	2.6	5.0	5.6
\$500,000.....	403,548	423,725	80.7	84.7	20,177	4.0	5.0	20.9
\$1,000,000.....	858,548	² 900,000	85.9	90.0	41,452	4.1	² 4.8	29.3

MARRIED PERSON—2 DEPENDENTS

\$3,000.....	\$120	\$126	4.0	4.2	6	0.2	5.0	0.2
\$5,000.....	520	546	10.4	10.9	26	.5	5.0	.6
\$8,000.....	1,152	1,210	14.4	15.1	58	.7	5.0	.8
\$10,000.....	1,592	1,672	15.9	16.7	80	.8	5.0	.9
\$15,000.....	2,900	3,045	19.3	20.3	145	1.0	5.0	1.2
\$20,000.....	4,464	4,687	22.3	23.4	223	1.1	5.0	1.4
\$25,000.....	6,268	6,581	25.1	26.3	313	1.2	5.0	1.7
\$50,000.....	18,884	19,828	37.8	39.7	944	1.9	5.0	3.0
\$100,000.....	51,912	54,508	51.9	54.5	2,596	2.6	5.0	5.4
\$500,000.....	402,456	422,579	80.5	84.5	20,123	4.0	5.0	20.6
\$1,000,000.....	857,456	² 900,000	85.7	90.0	42,544	4.3	5.0	29.8

¹ Taking into account maximum effective rate limitation of 87 percent.

² Taking into account maximum effective rate limitation of 90 percent.

2019-2020 1040 Form 1040

Comparison of the individual income tax liabilities under present law with that under plan 6 (10 percent increase in the tax payable)

HEAD OF FAMILY—1 DEPENDENT

Net income, (after deductions but before exemptions)	Amounts of tax		Effective rates of tax		Increase or decrease (—) over present law		Tax increase or decrease (—) as a percent of—	
	Present law	Plan 6	Present law	Plan 6	Amount of tax	Effective rates	Present law tax	Net income after present law tax
			Percent	Percent		Percent		
\$800-----								
\$1,000-----								
\$1,500-----	\$60	\$66	4.0	4.4	\$6	0.4	10.0	0.4
\$2,000-----	160	176	8.0	8.8	16	.8	10.0	.9
\$3,000-----	360	396	12.0	13.2	36	1.2	10.0	1.4
\$5,000-----	796	836	15.9	16.7	40	.8	5.0	1.0
\$8,000-----	1,600	1,558	20.0	19.5	-42	-.5	-2.6	-1.0
\$10,000-----	2,232	2,077	22.3	20.8	-155	-1.5	-6.9	-2.0
\$15,000-----	4,174	3,586	27.8	23.9	-588	-3.9	-14.1	-5.4
\$20,000-----	6,624	5,359	33.1	26.8	-1,265	-6.3	-19.1	-9.5
\$25,000-----	9,442	7,396	37.8	29.6	-2,046	-8.2	-21.7	-13.2
\$50,000-----	25,956	21,551	51.9	43.1	-4,405	-8.8	-17.0	-18.3
\$100,000-----	66,276	58,054	66.3	58.1	-8,222	-8.2	-12.4	-24.4
\$500,000-----	428,728	443,903	85.8	88.8	15,175	3.0	3.5	21.3
\$1,000,000-----	¹ 870,000	² 900,000	87.0	90.0	30,000	3.0	3.5	23.1

MARRIED PERSON—NO DEPENDENTS

\$1,500-----	\$60	\$66	4.0	4.4	\$6	0.4	10.0	0.4
\$2,000-----	160	176	8.0	8.8	16	.8	10.0	.9
\$3,000-----	360	396	12.0	13.2	36	1.2	10.0	1.4
\$5,000-----	760	836	15.2	16.7	76	1.5	10.0	1.8
\$8,000-----	1,416	1,558	17.7	19.5	142	1.8	10.0	2.2
\$10,000-----	1,888	2,077	18.9	20.8	189	1.9	10.0	2.3
\$15,000-----	3,260	3,586	21.7	23.9	326	2.2	10.0	2.8
\$20,000-----	4,872	5,359	24.4	26.8	487	2.4	10.0	3.2
\$25,000-----	6,724	7,396	26.9	29.6	672	2.7	10.0	3.7
\$50,000-----	19,592	21,551	39.2	43.1	1,959	3.9	10.0	6.4
\$100,000-----	52,776	58,054	52.8	58.1	5,278	5.3	10.0	11.2
\$500,000-----	403,548	443,903	80.7	88.8	40,355	8.1	10.0	41.8
\$1,000,000-----	858,548	² 900,000	85.9	90.0	41,452	4.1	² 4.8	29.3

MARRIED PERSONS—2 DEPENDENTS

\$3,000-----	\$120	\$132	4.0	4.4	\$12	0.4	10.0	0.4
\$5,000-----	520	572	10.4	11.4	52	1.0	10.0	1.2
\$8,000-----	1,152	1,267	14.4	15.8	115	1.4	10.0	1.7
\$10,000-----	1,592	1,751	15.9	17.5	159	1.6	10.0	1.9
\$15,000-----	2,900	3,190	19.3	21.3	290	2.0	10.0	2.4
\$20,000-----	4,464	4,910	22.3	24.6	446	2.3	10.0	2.9
\$25,000-----	6,268	6,895	25.1	27.6	627	2.5	10.0	3.3
\$50,000-----	18,884	20,772	37.8	41.5	1,888	3.7	10.0	6.1
\$100,000-----	51,912	57,103	51.9	57.1	5,191	5.2	10.0	10.8
\$500,000-----	402,456	442,702	80.5	88.5	40,246	8.0	10.0	41.3
\$1,000,000-----	857,456	² 900,000	85.7	90.0	42,544	4.3	² 5.0	29.8

¹ Taking into account maximum effective rate limitation of 87 percent.² Taking into account maximum effective rate limitation of 90 percent.

